

Decision by the Board of the Financial Supervisory Authority on the application of macroprudential tools

At its meeting on 28 March 2018, the Board of the Financial Supervisory Authority (FIN-FSA) decided not to impose a countercyclical capital buffer requirement ('variable add-on') as referred to in chapter 10, section 4 of the Credit Institutions Act (610/2014).

In addition, the FIN-FSA Board has taken a decision, in accordance with section 65a of the Act on the Financial Supervisory Authority, on the reciprocation of the systemic risk buffer imposed by Eesti Pank with the systemic risk buffer requirement as referred to in chapter 10, section 4 of the Credit Institutions Act, applicable to balance sheet items and off-balance sheet commitments located in Estonia of credit institutions authorised in Finland.

Justification for the decision

The most recent observation from the third quarter of 2017 for the credit-to-GDP gap, used as the primary indicator for setting a countercyclical capital buffer (CCyB) requirement, is negative, -4.8% (the observation for the second quarter 2017 was revised from -4.1% to -2.8%), thus giving a reference value of 0.0% for the CCyB requirement.

Despite signals of higher risks, indicators of credit growth and growth in financial market risk appetite as well as other supplementary risk indicators (such as overall economic developments and housing price developments) are not, overall, signalling such an increase in financial system risks as would necessitate an immediate rise in the CCyB requirement with a view to improving banks' cyclical risk resilience. Assessments of the need to tighten the CCyB requirement must also take into consideration other macroprudential policy measures.

As a result of the entry into force on 1 January 2018 of legislative amendments concerning the systemic risk buffer requirement, the FIN-FSA may take a decision on the reciprocation of a systemic risk buffer requirement set by the competent authorities of another EEA Member State. The requirement applies to the balance sheet items and off-balance sheet commitments located in the Member State in question of all credit institutions authorised in Finland.

On 30 May 2016, the Governor of Eesti Pank took a decision on the establishment of a systemic risk buffer requirement of 1.0% applied to the domestic exposures of all credit institutions authorised in Estonia. The systemic risk buffer requirement took effect on 1 August 2016.¹

¹ <https://www.eestipank.ee/en/financial-stability/systemic-risk-buffer>

28 March 2018

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Unrestricted

In its recommendation adopted on 24 June 2016, the European Systemic Risk Board (ESRB) recommends that other EEA countries reciprocate the systemic risk buffer set by Estonia.²

Finnish credit institutions must fulfil the 1.0% systemic risk buffer rate applicable to balance sheet items and off-balance sheet commitments located in Estonia. The requirement enters into force on 1 January 2019.

² https://www.esrb.europa.eu/pub/pdf/recommendations/2016/ESRB_2016_4.en.pdf